

DOCKET SECTION

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268**

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 1997

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Docket No. R97-1

**RESPONSE OF ADVERTISING MAIL MARKETING ASSOCIATION
WITNESS ANDREW TO INTERROGATORIES OF
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL
(MASA/AMMA-T2-1-2)**

The Advertising Mail Marketing Association ("AMMA") hereby provides the responses of witness Gary M. Andrew to the following interrogatories of the Mail Advertising Service Association International, filed on January 28, 1998: MASA/AMMA-T2-1-2.

The interrogatories are stated verbatim and followed by the responses.

Respectfully submitted,



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February 4, 1998

**RESPONSE OF ADVERTISING MAIL MARKETING ASSOCIATION
WITNESS ANDREW TO INTERROGATORIES OF
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL**

MASA/AMMA-T2-1

How much additional revenue is generated by your proposal (at section VII of your testimony) to raise Basic Piece rates for Regular and ECR? Please respond in the aggregate and separately for Regular and ECR.

RESPONSE

The revenue lost by passing through 100% of the cost savings associated with dropshipping should after consideration of rounding, equal the amount of additional revenue generated by the increases in the base rates of Standard (A) ECR. The same should be true for Standard (A) ECR. However, because the rates are rounded to the nearest mill (\$0.001), the gains do not exactly equal the losses in either subclass as shown in the following table. The facts that the change in dropship passthrough from 80% passthrough to 100% passthrough results in a negative change in Standard (A) Regular revenue and a positive change in Standard (A) ECR are independent events caused by the rounding of the respective base rates of these subclass.

<u>Standard (A) Aggregate Revenues (millions)</u>			
	<u>Passthrough</u>		<u>Revenue</u>
<u>Subclass</u>	<u>80%</u>	<u>100%</u>	<u>Increase (Decrease)</u>
(1)	(2)	(3)	(4)
1. Regular	\$8,022.045	\$8,019.839	\$(2.206)
2. ECR	<u>4,304.004</u>	<u>4,306.888</u>	<u>2.884</u>
3. Aggregate	\$12,326.049	\$12,326.727	\$0.678
Sources:	Column (2): USPS-T-36 WP 1 page 25 (original).		
	Column (3): USPS-T-36 WP 1 page 25 (with		
	passthroughs		
	for dropshipping changed to 100%).		
	Column (4)= Column (3) - Column (2).		

MASA/AMMA-T2-2

How much revenue would be lost if destination entry discounts were set at 100% of cost savings and no adjustment were made to Basic Piece rates?

Please respond in the aggregate and separately for Regular and ECR.

RESPONSE

The aggregate revenues associated with dropshipping discounts, assuming no change in volumes presented by the USPS, are shown in the following table. If the Basic Piece rate is not changed, the revenue lost for Standard (A) mail is shown in Column (4) of the following table.

Aggregate Value of Standard (A) Dropshipping Discounts (millions)			
<u>Passthrough</u>			
<u>Subclass</u>	<u>80%</u>	<u>100%</u>	<u>Difference</u>
(1)	(2)	(3)	(4)
1. Regular	\$270.422	\$342.002	\$71.580
2. ECR	<u>590.686</u>	<u>743.878</u>	<u>153.192</u>
3. Aggregate	\$861.108	\$1,085.880	\$224.772
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Sources:	Column (2): USPS-T-36 WP 1 page 9 (original).		
	Column (3): USPS-T-36 WP 1 page 9 (with		
	passthroughs		
	for dropshipping changed to 100%).		
	Column (4)=Column (3) - Column (2).		

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served this document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


N. Frank Wiggins

DATE: February 4, 1998

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